



July 30, 2012

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By Email

Jonathan P. McHenry
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Re: Home Insurance Litigation

Dear Jon:

For roughly 20 years, Cornell-Dubilier Electronics, Inc. ("CDE") has requested that Columbia Casualty Company and Continental Casualty Company (collectively "CNA") defend and indemnify CDE with respect to the South Plainfield site (the Site"). CNA has again and again declined those requests. Indeed even after CNA was found liable for coverage for the Site in 2006, it still did not offer to participate in CDE's defense for the Site. Given CNA's total abandonment of its insured and its failure to comply with its contractual obligations, CNA cannot complain that CDE has attempted to protect itself by resolving its potential liability for the Site on the best terms it could obtain from the government.

CNA's assertion that it does not consent to the settlement is difficult to understand. CDE does not believe it has any viable liability defenses to avoid the imposition of joint and several liability for the Site and there are no other remaining viable PRPs to contribute a significant share of the hundreds of millions of dollars of liability. To the extent CNA is saying CDE should turn down a settlement which it believes will meaningfully limit its ultimate exposure at the South Plainfield site (and the liability of its insurers), CNA is presumably waiving its policy limits and agreeing to defend and indemnify CDE whatever the ultimate result since it would be bad faith for CNA to interfere with a settlement of a policyholder where CNA has not accepted full responsibility for defense and indemnity. If CNA is waiving its policy limits and agreeing to defend and indemnify CDE whatever the ultimate result, please confirm that in writing prior to the close of business today.

As to CNA's assertion that CDE has not kept it up-to-date on cost estimates for the Site from the government, that is palpably untrue. CDE and FPE's letter December 11, 2011 letter to you provided a detailed recitation of those estimates:

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As you know, the United States filed a revised Proof of Claim in federal court on October 25, 2007 in connection with the Dana bankruptcy. In that filing, the government estimated its cleanup costs at South Plainfield would run slightly above \$313 million, as follows:

OU1	\$5,629,000
OU2	\$154,730,000
OU3	\$44,762,900
OU4	\$108,222,400
Total	\$313,344,300

The government's cleanup numbers do not include Natural Resource Damages, which will certainly run in excess of \$100 million given the regional contamination of a drinking water aquifer and surface water.

The estimates in the December 11th letter are not materially different from the estimates used in the proposed settlement as set forth in the Consent Decree. As to CDE's communications with the government, those are plainly confidential settlement communications.

Sincerely yours,


Robert S. Sanoff

RSS/md